

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2154 – HB 3063

January 24, 2012

SUMMARY OF BILL: Prohibits advertising for lottery tickets in all media, including, but not limited to, radio, television, and billboards. Limits advertising for lottery tickets to retailers' point-of-purchase.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$22,950,000/Lottery for Education Account

Assumptions:

- According to the Tennessee Education Lottery Corporation (TELC), advertising expenditures for FY11-12 are projected to be approximately \$11,000,000.
- It is estimated that recurring point-of-purchase advertising would be approximately \$2,000,000. Therefore, the recurring reduction of advertising expense for the TELC is estimated to be \$9,000,000.
- According to the TELC, information reviewed from studies support a direct correlation between advertising expenses and ticket sales.
- The TELC indicates that \$1.00 of advertising expense has an average positive impact on gross sales of \$11.00, and on net ticket sales of \$10.20.
- According to one study (Frost & Sullivan, 2009), a dollar in additional advertising for lotteries was accompanied by \$15 in additional sales.
- For TELC, it is estimated that one additional dollar of advertising expense generates approximately \$10.00 in net ticket sales, and therefore, a \$1.00 reduction of advertising expense will lead to a \$10 decrease in net ticket sales.
- The recurring decrease in net ticket sales for the TELC, as a result of reducing advertising expense by \$9,000,000, is estimated to be \$90,000,000 (\$9,000,000 x \$10).
- In FY10-11, the TELC returned approximately 25.5 percent of net ticket sales to the state in net lottery proceeds. As a result, the decrease in net lottery proceeds is estimated to be \$22,950,000 (\$90,000,000 x 25.5%).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read 'Lucian D. Geise', written in a cursive style.

Lucian D. Geise, Executive Director

/rnc